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 Equity Security Holders Of USA Capital First Trust Deed Fund, LLC

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re: USA COMMERCIAL MORTGAGE COMPANY, Debtor.) BK-S-06-10725-LBR Chapter 11
In re: USA CAPITAL REALTY ADVISORS, LLC, Debtor.) BK-S-06-10726-LBR Chapter 11
In re: USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC, Debtor.) BK-S-06-10727-LBR Chapter 11
In re: USA CAPITAL FIRST TRUST DEED FUND, LLC, Debtor.) BK-S-06-10728-LBR Chapter 11
In re: USA SECURITIES, LLC, Debtor.) BK-S-06-10729-LBR Chapter 11
Affects <input type="checkbox"/> All Debtors <input checked="" type="checkbox"/> USA Commercial Mortgage Co. <input type="checkbox"/> USA Securities, LLC <input type="checkbox"/> USA Capital Realty Advisors, LLC <input type="checkbox"/> USA Capital Diversified Trust Deed <input checked="" type="checkbox"/> USA First Trust Deed Fund, LLC) Date: N/A Time: N/A

**POST-EFFECTIVE DATE STATUS REPORT OF THE OFFICIAL COMMITTEE OF EQUITY
 SECURITY HOLDERS OF USA CAPITAL FIRST TRUST DEED FUND, LLC (AFFECTS
 DEBTORS USA CAPITAL FIRST TRUST DEED FUND, LLC)**

The Official Committee of Equity Security Holders of USA Capital First Trust
 Deed Fund, LLC (the "FTDF Committee") appointed in the above-captioned bankruptcy case of

1 USA Capital First Trust Deed Fund, LLC ("FTDF") hereby submits its status report (the "First
2 Report") setting forth the progress that has been made toward the consummation of the
3 confirmed "Debtors' Third Amended Joint Chapter 11 Plan of Reorganization" (the "Plan") for
4 the USA Capital First Trust Deed Fund, LLC as required by the "Order Confirming the
5 "Debtors' Third Amended Joint Chapter 11 Plan of Reorganization" (the "Confirmation Order")
6 at paragraph 74, the Plan, the "Stipulation Concerning Post-Confirmation Status Reports" (the
7 "Stipulation") and order approving the Stipulation. The Plan went effective on March 12, 2007
8 (the "Effective Date"). This First Report is for the period from the Effective Date through July
9 13, 2007 (the "First Period").

10
11 Pursuant to the "Second Joint Motion for Order for Implementation of Confirmed
12 Plan" and the order granting such Motion, and in part due to the potential conflicts of interest of
13 counsel for the above-captioned debtors (the "Debtors"), the FTDF Committee provided services
14 to the FTDF in connection with, among others, the following pending issues: (i) objections to
15 claims, (ii) distributions to members of the FTDF, (iii) the allocation of the \$9.5 million in net
16 overbid proceeds from the sale of the FTDF loan interests and certain of the USA Commercial
17 Mortgage Company ("USACM") to Compass Partners, LLC, (iv) various disputes related to the
18 compromise contained in the Plan between FTDF and USACM, including disputes regarding the
19 allocation of Debtors' Professionals fees and expenses incurred, management fees and loan
20 servicing fees between February 1, 2007 and the Effective Date, (v) allocation of BMC Group,
21 Inc's fees and costs among the estates, (vi) the amount and allowance of the asserted FTDF
22 general unsecured claim against USACM (the "FTDF Unsecured Claim, and (vii) the purchase
23 price escrow disputes among the FTDF, USACM and Compass. In addition, the FTDF
24 Committee has the right to be heard and participate in the two appeals of the Confirmation Order
25 filed by the Lenders Protection Group (the "LPG") and Debt Acquisition Company of America
26 ("DACA"), respectively. The resolution of all of these pending issues is discussed below.

27 Objections to Claims. Since the FTDF Committee represented the equity security
28 holders of FTDF, no distributions could be made to these holders until all general unsecured

1 claims were either allowed or disallowed, and if allowed, paid in full. Early in these cases, the
2 FTDF Committee commenced the process of analyzing and objecting to general unsecured
3 claims in the case so that when funds were available for distribution, payments could be made as
4 soon as practicably possible to FTDF members. The FTDF Committee also objected, where
5 appropriate, to all invalid proofs of interest filed by FTDF members. Nearly all of the necessary
6 claim and interest objections were completed by the Effective Date, and all objections were
7 completed by the FTDF Committee during the First Period.

8
9 Of particular significance in this category was the approximately \$6.0 million in
10 claims asserted by the Kantor claimants, comprised of three investors in USA Capital Diversified
11 Trust Deed Fund, LLC. The FTDF Committee initially filed objections to the Kantor claims in
12 December 2006, and in response the Kantor claimants filed a complaint alleging that FTDF
13 committed fraud and was part of a conspiracy to defraud them. The initial hearing on the
14 objection to the Kantor claims was held in January 2007, and the hearing was continued several
15 times until May 9, 2007. Prior to the May 9, 2007 hearing, the parties continued to file pleadings
16 in connection with the objections to claims. At the hearing, among other rulings, the Court
17 granted the Kantor claimant leave to amend their claims in order to provide specific allegations
18 regarding the fraud and conspiracy. Thereafter, the Kantor claimants agreed to withdraw their
19 claims against the FTDF. The FTDF Committee and the Kantor claimants negotiated a
20 Stipulation to withdraw the Kantor claims that was approved by the Court during the First
21 Period.

22 Settlement Between USACM and FTDF. As of the Effective Date, several issues
23 remained in dispute between the USACM and the FTDF estates. At the end of April 2007,
24 counsel for the USACM Trust, the USACM Trustee and counsel for the FTDF Committee
25 conducted a settlement conference in an effort to reach a global resolution of these pending
26 disputes. At the settlement conference, the parties reached a settlement. The settlement included:
27 (i) a sharing of the net overbid sale proceeds with 60% to USACM and 40% to FTDF; (ii) that
28 the purchase price dispute with Compass would be the obligation of USACM, the escrow would

1 come out of USACM's 60% of the overbid sale proceeds, and to the extent USACM was
2 successful in that dispute, USACM would retain the escrow funds; (iii) that the compromise
3 provisions in the Plan related to loan servicing fees, management fees and foreclosure costs
4 would continue through the Effective Date as provided for in the Plan; (iv) that the parties would
5 agree to a fair sharing of the BMC Group Inc fees and costs; (v) that the FTDF and USACM
6 would share equally all Debtors' Professionals fees and costs in excess of \$125,000 per month
7 for the period of February 1, 2007 through the Effective Date; and (vi) that FTDF would have a
8 \$7 million allowed general unsecured claim against USACM. The FTDF Committee and the
9 USACM Trust filed a motion to approve the settlement that was set for hearing at the end of May
10 2007, and the Court approved the settlement. FTDF's share of the overbid funds have been
11 distributed to the FTDF and the FTDF members.

12
13 Plan Distributions. Since the Effective Date, all allowed general unsecured
14 claims have been paid in full. Further, since the Effective Date, there have been distributions to
15 the FTDF members resulting in a net recovery in excess of 67% to the holders of equity interests
16 in the FTDF. There are funds remaining in the estate as a reserve for expenses, including
17 professional fees and costs that remain unpaid or that must be incurred in order to wind down
18 FTDF and close the FTDF chapter 11 case. The FTDF and the FTDF Committee are presently
19 reviewing the reserve to determine if the reserve can be reduced with the excess funds to be
20 distributed to FTDF members.

21 The Appeals. The LPG and DACA each appealed the Confirmation Order in each
22 of the Debtors' cases. The LPG appeal was fully briefed by the Effective Date. During the First
23 Period, the FTDF Committee participated in various hearings related to the appeals in the United
24 States District Court (the "District Court"), including a hearing on the LPG's second motion for a
25 stay pending appeal (the "Stay Motion"), as well as in the responsive briefing on the Stay Motion
26 and the DACA appeal, and the preparation, filing and prosecution of motions to dismiss on
27 mootness grounds that the appellees filed in each of the appeals. Since it did not appear that
28 either appellant was seeking relief against the FTDF in their appeals, counsel for the FTDF

1 Committee asked both appellants if they were willing to dismiss the FTDF from the appeals.
2 Both of the appellants agreed and the FTDF Committee prepared stipulations and orders to effect
3 such dismissals. (The appellants also agreed to dismiss DTDF, USA Capital Realty Advisors,
4 LLC and USA Securities, LLC from the appeals.) The District Court set hearings on the
5 stipulations, as well as on the motions to dismiss and the merits for June 27, 2007. At the
6 hearing, the District Court agreed to sign the orders dismissing the FTDF (as well as DTDF,
7 USA Capital Realty Advisors, LLC and USA Securities, LLC) from the appeals, and took the
8 motions to dismiss and appeals on the merits under submission. As of the date of this First
9 Report, only the order dismissing the FTDF from the LPG appeal has been entered by this
10 District Court.

11
12 The Amended Disbursing Agent Agreement. In connection with confirmation of
13 the Plan, the FTDF and the USACM Trust entered into the Disbursing Agent Agreement that
14 provided that the USACM Trustee would serve as the disbursing agent for the FTDF at the time
15 that Mesirow Financial Consulting no longer served as the representative of FTDF and would no
16 longer perform disbursing agent functions. This was significant as it was anticipated that the
17 FTDF would receive a general unsecured claim against USACM and would be a beneficiary of
18 the USACM Trust with respect to that claim. It was likely that disbursement from the USACM
19 Trust would not occur in the short term, and because the FTDF and the FTDF Committee
20 determined that it was not economical to create a trust for FTDF solely for the purpose of
21 administering any recoveries on the FTDF Unsecured Claim, FTDF and the USACM Trust
22 entered in to the Disbursing Agent agreement to provide these services to the FTDF. During the
23 First Period, the USACM Trust and the FTDF Committee negotiated an Amended Disbursing
24 Agent Agreement that further refined the Agreement in a manner that would permit the FTDF
25 estate to be closed and the FTDF to wind down, and the USACM Trustee to make distributions
26 (to the extent any funds become available) directly to the FTDF members after such events
27 occur. The USACM Trust and the FTDF entered into a Stipulation to approve the Amended
28 Disbursing Agent Agreement, which was approved by the Court in its order entered on June 29,
2007.

1 The Compass Complaint Pursuant to Section 1144 of the Bankruptcy Code. On
 2 July 7, 2007, Compass filed a complaint under section 1144 of the Bankruptcy Code to revoke
 3 the Confirmation Order, rescind the Asset Purchase Agreement and to suspend the Complaint for
 4 a period of time. The defendants listed in the Complaint consist of all of the Debtors, including
 5 the FTDF, as well as apparently all of the members of the LPG. The Complaint alleges that the
 6 LPG acted in a manner that fraudulently induced Compass to enter into the Asset Purchase
 7 Agreement. No allegations are made with respect to fraud with respect to the FTDF or the FTDF
 8 loan interests that were sold to Compass under the Asset Purchase Agreement. The FTDF
 9 Committee anticipates that it will shortly file a motion to dismiss the Complaint as against
 10 FTDF.

11 Remaining FTDF Tasks. There are no more pending matters for the FTDF except
 12 for tasks relating to winding down FTDF and closing the case, the Court's consideration of the
 13 Debtors' professionals final fee applications set for hearing on August 7, 2007 and entry of all
 14 related orders, and resolving the Compass Complaint discussed above. The FTDF Committee
 15 has contacted counsel for the FTDF to discuss the remaining tasks such as preparation and filing
 16 of the final tax return and final report, as well as the application for final decree, the procedures
 17 for dissolution of the FTDF entity, and the final distribution (including cash and distribution of
 18 the pro-rata interests in the FTDF Unsecured Claim). The FTDF Committee is hopeful that that
 19 the FTDF Committee and the FTDF can work together to have these tasks accomplished so that
 20 the FTDF case can be closed as soon as possible.

21
 22
 23 Respectfully submitted:

24
 25 Dated: July 13, 2007

26 /s/ Eve H. Karasik
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